

Message Text

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ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 SP-02 ICA-20 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 L-03 H-02 PA-02 ITC-01 AGR-01
DOE-15 SOE-02 /143 W
-----019974 051206Z /12

R 051040Z JUL 78
FM AMEMBASSY BERN
TO SECSTATE WASHDC 6529
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMCONSUL ZURICH POUCH

UNCLAS SECTION 1 OF 2 BERN 3245

USMTN ALSO FOR MISSION

USOECN ALSO FOR EMBASSY

PASS TREAS AND FRB

EO 11652: N/A
TAGS: EFIN, SZ
SUBJECT: SWISS FINANCIAL REVIEW: WEEK JUNE 26 - 30

1. SUMMARY: DOLLAR EASED AGAINST SWISS FRANC TO 1.84.
GOLD DOWN TO 183. PER OUNCE. SOUTH AFRICA FINANCE MINISTER
SEES HIGHER GOLD PRICE. MIXED ECONOMIC OUTLOOK. FEDERAL
COUNCIL LIBERALIZES LDC TARIFF PREFERENCES. LABOR-
INDUSTRY AGREEMENT RENEWED IN METALWORKING INDUSTRY.
END SUMMARY.
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2. FOREX AND GOLD: (A) DOLLAR STEADY AGAINST SF EARLY
IN WEEK BUT SLIPPED THURSDAY AND FRIDAY ON NEWS CONGRESS
WOULD BLOCK TAX ON IMPORTED OIL. ATTENTION FOCUSED ON
REPORTS FRANCE MIGHT DECIDE TO REJOIN ITS FRANC TO
EUROPEAN CURRENCY FLOAT. PERSS LAMENTED RENEWED DOLLAR-
MALAISE SINCE MID-MAY RECOVERY.

(B) GOLD MARKET INFLUENCED BY INDUSTRIAL DEMAND IN EUROPE VERSUS FUTURES INTEREST OF US TRADERS. CLOSED WEEK ONLY \$.25 ABOVE FRIDAY MORNING LOW. DEALERS NOW SEE LESS LIKELIHOOD GOLD WILL REACH \$200 IN NEAR FUTURE. SOUTH AFRICAN FINANCE MINISTER OWEN NORWOOD SPEAKING IN ZURICH OPTIMISTIC ON HIGHER GOLD PRICE, NOTING LDC CENTRAL BANK INTEREST AT MOST RECENT IMF GOLD AUCTION, EVEN THOUGH BIDS WERE AT NON-COMPETITIVE PRICES. RATES FOLLOW:

	6/26 (OPEN)	6/30 (CLOSE)
SPOT DOLLAR	185.70	183.00
FORWARD DISCOUNTS		
(PCT PER ANNUM)		
1 MONTH	7.48	.434
2 MONTHS	7.13	7.11
3 MONTHS	7.14	7.03
6 MONTHS	7.09	7.01
12 MONTHS	6.59	6.53
SF/DM	89.64	89.14
GOLD	184.50	183.00

3. CAPITAL AND MONEY MARKTES: (A) ZURICH STOCK MARKET EXPERIENCED LITTLE CHANGE IN LOW VOLUME POSITIVE INFLUENCE OF GERMAN MARKET COUNTERED BY WORRIES OF EFFECT OF CONTINUED LARGE GROWTH IN MONEY SUPPLY IN MIDST OF UNCLASSIFIED

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FLAT ECONOMY. SKA INDEX DOWN 0.3 PCT AT 250.4. AVERAGE YIELD CONFEDERATION BONDS SLIPPED TO 3.39. EUROFRANC RATES STEADY. DEALERS SAID NO SIGNIFICANT STOCK OR BOND ISSUES EXPECTED BEFORE ONSET OF SUMMER HOLIDAY PERIOD BEGINNING JULY 13.

4. ECONOMY: (A) SMALL RETAIL TRADE TURNOVER INCREASED 5.5 PCT IN MAY OVER 1977 PERIOD; APRIL TURNOVER HAD BEEN UP ONLY 0.2 PCT FROM 1977. LRRGEST GROWTH INFOODSTUFFS (7.2 PCT), BUT INCREASES ALSO IN OFFICE MACHINES, AUTOMOBILES, TOBACCO PRODUCTS, OFFICE SUPPLIES, HARDWARE AND GLASSWARE. LOWER SALES OF LIQUID FUELS, CARPETS AND DOMESTIC TEXTILES, PRINTED MATTER. ACCORDING TO SURVEY CONDUCTED BY SWISS TRADE AND INDUSTRY ASSOCIATION, INDICATORS POINT DOWNWARD IN MOST SECTORS. NEW ORDERS HAVE WEAKENED AND EARNINGS REMAIN DEPRESSED AS RESULT UNSATISFACTORY PRICES. SLACK CONDITIONS EXPECTED TO CONTINUE.

(B) MAY INDUSTRIAL ACTIVITY IMPROVED SLIGHTLY, WITH NEW ORDERS ON PAR WITH APRIL BUT BELOW MAY 1977 LEVEL. EXPORT ORDERS UP. LOW DEMAND FORECAST OVER THE SUMMERSEASON AND MANUFACTURERS PLANNING PRODUCTION CUTBACKS. ENGINEERING

AND TEXTILE INDUSTRIES STRONGEST; WATCH AND CLOTHING
INDUSTRIES WEAKER.

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(C) CREDIT SUISSE BELIEVES MAJOR WESTERN EUROPEAN
INDUSTRIAL COUNTRIES IN FAVORABLE POSITION FOR FIRST TIME IN
MANY YEARS. CITIES RECEDING INFLATION, HIGHER CURRENCY
RESERVES, LOWER PAYMENTS DEFICITS. FORECASTS SLOW RECOVERY
AS ECONOMIC RESTRUCTURING PROGRESSES.

(D) NIGHTS BOOKED AT SWISS HOTELS INCREASED 5 PCT IN
WINTER SEASON NOV 1977 - APRIL 1978 OVER PREVIOUS YEAR.
COMPARED WITH SUMMER SEASON 1977 INCREASE OF 7 PCT OVER
1976. INCREASES ATTRIBUTED TO IMPROVED FACILITIES,
STABLE SWISS FRANC PRICES, AND SHARP INCREASE IN TOURISM
FROM GERMANY (UP 16 PCT), THE NETHERLANDS (UP 23 PCT) AND
THE UNITED KINGDOM (UP 12 PCT). TOURIST-NIGHTS DECLINED
FROM THE US (DOWN 11 PCT) AND FROM CANADA (DOWN
19 PCT).

(E) SURVEY OF SWISS-AMERICAN CHAMBER OF COMMERCE ESTIMATES
540 BRANCHES AND SUBSIDIARIES OF AMERICAN FIRMS IN
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SWITZERLAND EMPLOY 40,PPP PEOPLE. 200 SWISS-OWNED FIRMS
IN US EMPLOY 70,000.

(F) SWISS GNP WOULD DROP BY 3.4 TO 10 PCT IF BY 1980 OIL
SUPPLIES WERE ARATIONED BY 15 OR 25 PCT ACCORDING TO STUDY
RELEASED BY FEDERAL COMISSION FOR A GLOBAL ENERGY CONCEPT
(GEK). GEK STUDY INCLUDES SCENARIO BY WHICH DEMAND FOR
CAPTIAL GOODS WOULD DECREASE ABRUPTLY AND CAUSE 5 TO 12 PCT
UNEMPLOYMENT.

5. TRADE POLICY: THE FEDERAL COUNCIL VOTED TO
LIBERALIZE SWISS GENERALIZED PREFERENCE SYSTEM (GSP).
EFFECTIVE JULY 1 RULES OF ORIGIN ON INDIVIDUAL PRODUCTS
WILL APPLY ON REGIONAL BASIS RATHER THAN TO SINGLE
COUNTRIES. SIMPLIFICATION BRINGS SWITZERLAND IN LINE WITH
PRACTICE OF EFTA PARTNERS AUSTRIA, NORWAY, SWEDEN AND
FINLAND.

4. BRAZIL INVESTMENTS: BRAZILIAN AMBASSADOR OURO-PRETO TOLD
SWITSS-BRAZILIAN CHAMBER OF COMMERCE THAT
BRAZILIAN AMBASSADOR AMOUNG
FOREIGN INVESTORS IN BRAZIL, SWITZERLAND FOURTH IN
IMPORTANCE WITH 980 MILLION DOLLARS. US LEADS WITH 2.6
BILLION, FOLLOWED BY GERMAHY AND JAPAN WITH LITTLE OVER
1 BILLION EACH. AFTER SWITZERLAND IS CANADA, UK, AND
FRANCE (326 MILLION). AMBASSADOR PRAISED ROLE OF SWISS
MULTINATIONALS SINGLING OUT NESTLE WHICH EMPLOYS 8000,
ONLY 70 OF WHOM ARE FOREIGNERS.

7. LABOR: SMUV, LARGEST TRADE UNION IN SWISS METAL-
WORKING INDUSTRY (209,000 EMPLOYED IN 513 COMPANIES) HAS
AGREED WITH EMPLOYERS ASSOCIATION TO RENEW 1937 "LABOR
PEACE" CLAUSE AGREEMENT AFTER TOUGHER THAN USUAL
NEGOTIATIONS, GAINED BY LABOR INCLUDE REDUCTION OF WORK
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HOURS FROM 44 TO 43 PER WEEK BEGINNING 1979 AND TO 42
HOURS PER WEEK BEGINNING 1983; INCREASED ANNUAL LEAVE;
IMPROVED SOCIAL BENEFITS.
WARNER

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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Reason:
Disposition Remarks:
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